

**State of Alaska
FY2006 Governor's Operating Budget**

**Department of Transportation/Public Facilities
Regional Support Services
Results Delivery Unit Budget Summary**

Regional Support Services Results Delivery Unit

Contribution to Department's Mission

Provide leadership and accountability of regional activities and to support regional operations with quality procurement, current information technology and budgetary services.

Core Services

- The Regional Directors' offices provide management oversight of all functions of the organization and act as liaison between divisions and between the department and other agencies and the public.
- The support service offices provide management support and budget coordination to all operating divisions in each region, with additional support to regional staff of Headquarters and statewide divisions and the International Airports.
- The procurement offices are responsible for the purchase and delivery of supplies, equipment and services as well as property control.

End Results	Strategies to Achieve Results
<p>A: Increase cost efficiency of the department.</p> <p><u>Target #1:</u> Reduce the ratio of administrative overhead to total department costs by 3%.</p> <p><u>Measure #1:</u> Ratio of total administrative overhead funding as compared to total department costs.</p> <p><u>Target #2:</u> Increase to 80% the respondents (customers) that rate the section's service at 4 or above on a scale of 1 to 5.</p> <p><u>Measure #2:</u> Percent of respondents (customers) rating the section's service at 4 or above on a scale of 1 to 5 in the areas that Support Services has purview over: budget, procurement, etc.</p>	<p>A1: Improve procurement processing.</p> <p><u>Target #1:</u> Reduce procurement processing time by 10%.</p> <p><u>Measure #1:</u> Percent change in time from receipt of request to issuance of order compared to prior year.</p> <p><u>Target #2:</u> Reduce procurement violations by 1/3.</p> <p><u>Measure #2:</u> Percent change in the number of procurement violations compared to prior year.</p>

Major Activities to Advance Strategies

- Expand use of credit card purchases to reduce the number of small invoices.
- Analyze activities to determine if there is a better way of doing business.
- Create on-line stock requests and better define the item or service requested on the stock request.

FY2006 Resources Allocated to Achieve Results

FY2006 Results Delivery Unit Budget: \$4,408,300	Personnel:	
	Full time	55
	Part time	3
	Total	58

Performance Measure Detail

A: Result - Increase cost efficiency of the department.

Target #1: Reduce the ratio of administrative overhead to total department costs by 3%.

Measure #1: Ratio of total administrative overhead funding as compared to total department costs.

Indirect Overhead Cost Rate

Year	YTD
2003	5.5%
2004	5.5%
2005	3.55%

Analysis of results and challenges: The department annually prepares an Indirect Cost Allocation Plan (ICAP) according to state and federal guidelines that is reviewed by internal auditors and approved by the Federal Highway Administration (FHWA). The ICAP develops a rate at which overhead and administrative costs are distributed to projects. These rates are developed by accumulating indirect costs into cost pools, and then dividing the total indirect costs allocated to the pool by total direct project costs. ICAP rates calculated for FY05 vary between 1.0% for harbor projects to 11.0% for planning projects. The federal highway project rate of 3.55% is used for year-to-year comparisons. FY05 rates are based on FY03 actual expenditure data.

General administrative activities contained in the indirect costs include such functions as payment processing, supervising employees, program oversight, budget development, liaison with the Legislature, etc. These are necessary functions of the department whether DOT&PF has direct oversight of a project or it is contracted. Typically project oversight is charged directly to a project and is not included in indirect costs.

The department will continue to review methods of reducing overhead costs. Developing technological solutions to cumbersome paper processes and eliminating unnecessary tasks are examples of how overhead costs can be reduced. Such a reduction will increase the amount of federal funds available for road and airport construction.

Target #2: Increase to 80% the respondents (customers) that rate the section's service at 4 or above on a scale of 1 to 5.

Measure #2: Percent of respondents (customers) rating the section's service at 4 or above on a scale of 1 to 5 in the areas that Support Services has purview over: budget, procurement, etc.

Customer Satisfaction Rating

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
2004	not available				

Analysis of results and challenges: This is a new measure that will require the division to develop and circulate a survey to help determine whether our internal customers' expectations are being met in the areas of procurement, budget development and monitoring, and information systems. Survey responses will provide managers feedback that may identify problem areas, which if addressed may improve the efficiency of the department. We anticipate the survey will be done annually.

A1: Strategy - Improve procurement processing.

Target #1: Reduce procurement processing time by 10%.

Measure #1: Percent change in time from receipt of request to issuance of order compared to prior year.

Average Days Taken to Process Purchase Requests

Year	YTD
2002	6.1
2003	9.8
2004	4.25

Analysis of results and challenges: The amount of time to process a procurement varies widely due to its complexity, estimated dollar value and required method of procurement. Following are statutory (AS 36.30) factors that impact procurement-related performance measures in the acquisition of goods and services for the Department:

"Reasonable and adequate" competition is required for each expenditure valued at \$5,000 or less and involves contacting only one potential vendor in appropriate circumstances. At least 3 verbal quotations or proposals are required between \$5,000 and \$25,000; but are often required to be submitted in writing for purposes of clarity and conformance to specifications or scope of services. The Request for Quotation (RFQ) process or Informal Request for Proposals (IRFP) is required for expenditures valued at \$25,000 to \$50,000 and requires issuance of the State's Standard Terms and Conditions or General Provisions and written responses from vendors. The formal Invitation to Bid (ITB) or Request for Proposals (RFP) process is required at \$50,000 and above, which involves formulating specifications, advertising on the Online Public Notice (OPN), allowing 21 days for solicitation, receiving sealed bids or proposals and providing a ten-day protest period prior to award of a contract.

Generally, the amount of time spent on a procurement increases as the monetary value and/or complexity of the particular item being purchased increases. For this reason, it is difficult to accurately measure and set procurement-related performance standards. Additionally, the geographic remoteness throughout Alaska impacts communication, approval processes, and delivery issues that are influenced by inclement weather, vessels underway, and changing crews.

The BuySpeed purchasing and inventory web based procurement software continues to produce greater efficiencies in the contracting and procurement environments in Central and Northern Regions. In Southeast Region, the program is supplemented with "Smart Tools," a web-enabled program. Further efficiencies will be obtained by monitoring problem orders and addressing individual issues timely.

The average number of days to process a procurement during FY04 was 4.5 in Central Region, 3.7 in Northern Region, 4.5 in Southeast Region, with 4.3 days being the department wide average.

Southeast Region Procurement was selected for outsourcing in conjunction with Chapter 51, SLA 2003 pilot procurement project. As of July 1, 2004, Southeast Region procurement and property activities were officially outsourced and are now being performed by Alaska Supply Chain Integrators (ASCI). ASCI's performance will be evaluated during the pilot phase to determine the merits of further outsourcing the State's procurement activities. The pilot sunsets on July 1, 2006.

Target #2: Reduce procurement violations by 1/3.

Measure #2: Percent change in the number of procurement violations compared to prior year.

Number of Procurement Violations

Year	YTD
2002	4
2003	3
2004	0

Analysis of results and challenges: When potential violations are identified, the department investigates and reports them to the Department of Administration, Division of General Services. Recommendations on necessary action to resolve the issue are also provided. Efforts to avoid future violations will include increased emphasis on training procurement and non-procurement staff on state purchasing requirements, and to assure quick distribution of new or revised procurement directives. Concentration on staff training encourages professionalism and accountability, and assures competent individuals are conducting all procurement activities.

Key RDU Challenges

- Streamlining the department's procurement process is essential so that goods and services continue to be provided efficiently and according to all state, federal and local guidelines with decreasing general fund support. Through the use of the department's automated procurement system, BuySpeed, we are able to improve information gathering and dissemination processes to enhance our efficiency.
- FY04 implementation of the Information Technology Standards has increased the workload for the procurement section and has slowed the process of requests. Each computer related item that does not appear on the standards list require waivers to be processed and then reviewed by the Technology Management Committee. The turn around time for these requests takes 2 to 15 days.
- The implementation of the Southeast Alaska Transportation Plan continues to be of paramount importance over the next several years as significant resources will be used to design and construct the infrastructure for improved movement of people and commodities throughout the region. Decisive management and articulate leadership are essential to successfully implement this plan.

Significant Changes in Results to be Delivered in FY2006

The procurement pilot program in Southeast Region is working toward using electronic commerce tools. A software program was developed by the pilot contractor that interfaces with BuySpeed, the procurement database software used by DOT&PF. E-commerce will reduce the number of steps in the procurement process. It is anticipated that the pilot contractor will be able to reduce processing time for delivery orders as a result of not having to follow AS 36.30.

Major RDU Accomplishments in 2004

- The Computer Services Group in Southeast Region continues to make improvements to the AMHS wireless bridges to enhance network connectivity. These improvements have produced the highest quality network connectivity that the AMHS has experienced to date.
- All Department of Administration mandated training requirements for procurement related transactions, were fulfilled by the regional procurement staff. Each staff member holds level rated (Level I, Level II or a Level III) Procurement Officer Certifications.
- Earthquakes, floods and fires in FY04 required procurement offices to expeditiously process emergency procurements of supplies and services.
- Implementation of the Southeast Alaska Transportation Plan is on track. The plan encompasses construction of new roads, ferries, and terminals to enhance transportation in southeast Alaska. The first fast vehicle ferry M/V Fairweather began revenue service in June 2004. The second FVF M/V Chenega is expected to begin revenue service May2005. The M/V Lituya is a new shuttle ferry that began revenue service between Ketchikan and Metlakatla in May 2004.
- An interface was developed that allows electronic requisitions to be generated from the vessel maintenance database application called AMOS, originally to the Southeast Procurement Section and currently to Alaska Supply Chain Integrators.
- The travel feature was added and implemented for a large majority of procurement cards. Ongoing support and requests are fulfilled by the procurement section.

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**Regional Support Services
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2004 Actuals				FY2005 Management Plan				FY2006 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
None.												
Non-Formula Expenditures												
Central Support Svcs	555.3	0.0	199.7	755.0	502.9	0.0	302.6	805.5	515.2	0.0	331.5	846.7
Northern Support Services	615.1	0.0	377.4	992.5	616.0	0.0	515.9	1,131.9	632.3	0.0	536.8	1,169.1
Southeast Support Services	346.6	0.0	1,891.4	2,238.0	317.7	0.0	2,026.4	2,344.1	321.7	0.0	2,070.8	2,392.5
Totals	1,517.0	0.0	2,468.5	3,985.5	1,436.6	0.0	2,844.9	4,281.5	1,469.2	0.0	2,939.1	4,408.3

**Regional Support Services
Summary of RDU Budget Changes by Component
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	1,436.6	0.0	2,844.9	4,281.5
Adjustments which will continue current level of service:				
-Central Support Svcs	12.3	0.0	12.4	24.7
-Northern Support Services	16.3	0.0	20.9	37.2
-Southeast Support Services	4.0	0.0	44.4	48.4
Proposed budget increases:				
-Central Support Svcs	0.0	0.0	16.5	16.5
FY2006 Governor	1,469.2	0.0	2,939.1	4,408.3